



Funding

Sonna Lynn Fernandez

Senior Transportation Planner

Division of Transportation Planning and Programming

Phone: (208) 332-7823

Fax: (208) 334-4432

Sonnalynn.fernandez@itd.idaho.gov

http://itd.idaho.gov/planning/reports/category_menu.html

FINANCIAL STEWARDSHIP

The Idaho Transportation Department (ITD) continually seeks innovative ways to make the best use of its resources and assets through a mixture of asset management and innovative finance. Idaho's transportation revenue comes from two primary sources. We receive approximately 53% of our funds from federal revenues such as the National Highway Trust Fund and the Airport and Airways Trust Fund, and approximately 46% from state revenues generated by transportation-related taxes and fees paid by Idaho citizens into the state's Highway Distribution Account and air-fuel tax accounts. Yearly, we account to the Idaho State Legislature on how we plan to utilize our available resources for the operation, maintenance and capital improvement of our State Highway System, public transportation and aeronautics programs.

Figure 1 is a chart that is updated annually and provided to the Idaho Legislature. It diagrams the various sources of funds and their distribution both to the state and to local governments. Also shown in this chart is ITD's budget request to the Idaho Legislature for FY 2007.

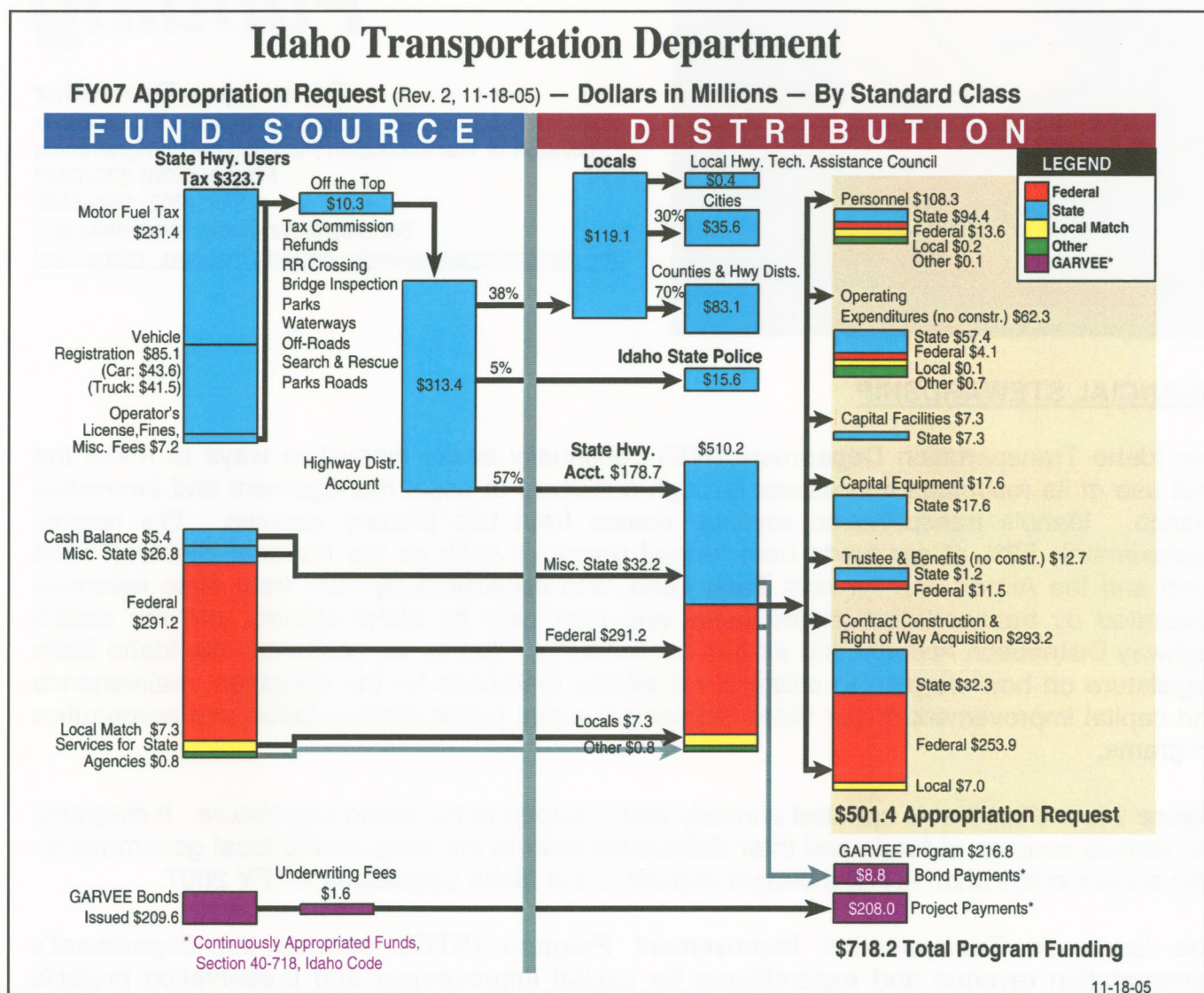
The Statewide Transportation Improvement Program (STIP) outlines the department's transportation revenue and expenditures for capital improvement and preservation projects from FY 2006 through 2010. It contains projects impacting highways, public transportation, aeronautics, bicycle and pedestrian facilities, and safety that will both maintain and improve a wide variety of transportation choices in all areas of the state. It also includes the projects found in Idaho's six metropolitan planning organization's Transportation Improvement Programs.

MEETING THE TRANSPORTATION NEEDS OF IDAHO

Meeting Idaho's increasing transportation needs when financial resources at all levels of government are experiencing little growth requires both fiscal restraint and sound management. It requires ITD to plan many years ahead, set reasonable development timetables that match our projected revenues, and target our resources toward projects that have been identified as most beneficial to the state transportation system and local communities.



Figure 1



Future projects are prioritized based on anticipated revenues and careful consideration of the transportation infrastructure that needs to be modified, repaired, or replaced. These decisions are based on public input, identified road and bridge lifecycles, and the requirement for growth and future expansion of the transportation system.

Idaho citizens have told us they “aspire to have a transportation system that provides convenient access throughout the state and region.” Idaho citizens also gave the department clear direction by stating that the transportation has to remain “affordable and focused on a balanced system with good modal choices, comfort, safety, and mobility” (*Idaho’s Transportation Vision, 2004*). To meet these challenges, ITD is seeking ways to use current revenue more efficiently, researching alternative income sources, and managing our current assets wisely. These three principles can and will ensure a solid transportation future for Idaho.

Federal funds administered by the Idaho Transportation Department are received from the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the Federal Aviation Administration (FAA), and the National Highway Traffic Safety Administration (NHTSA).

In the FY 2006 – 2010 STIP, ITD now displays our program of projects not by funding source which ITD can often use flexibly, but by the asset management areas of preservation and improvement. What follows is a description of those programs. Over-time, this will allow ITD to better allocate funds between these two vitally important areas. The abbreviations in parentheses are the description you will see under the “Fund Source” column on the program sheets.

HIGHWAY PRESERVATION PROGRAM

The Highway Preservation Program uses a combination of state and federal funds for highway preservation.

1. Pavement Preservation (PRES-PAVEMENT)

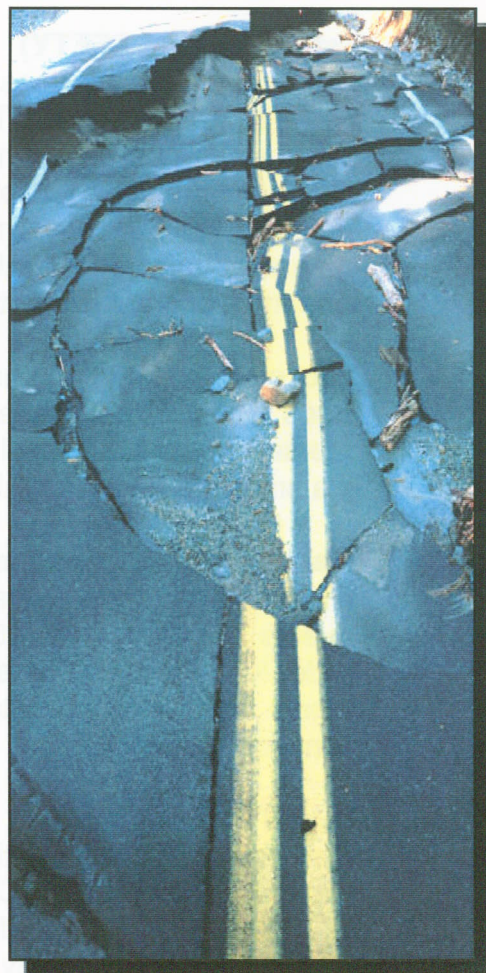
Pavement preservation is one of the state's most important activities. ITD is committed to *“... increase pavement quality to no less than 82% of the pavement being rated good or fair by strategically scheduling and implementing major construction and minor rehabilitation projects [that] can accomplish this goal.”* In 1994, it was found that 37% of Idaho's roads were considered deficient. By 2004, only 19% were deficient (2004 Highway Report). Our target for 2006 is no more than 18% deficiency. To meet this goal throughout the life of this STIP, \$57 million of our annual available funds are dedicated to this program.

2. Bridge Preservation (PRES-BRIDGE)

Approximately \$4.5 million is directed annually to projects that provide for bridge deck rehabilitation and bridge repair.

3. System Support (PRES-SYSTEM SUPPORT)

Statewide preservation support of the transportation system is required on an annual basis. The system support funds a variety of preservation activities that help to ensure that no part of the transportation system becomes defective or in disrepair due to lack of information or negligence.



FY 2006 -2010
Statewide Transportation Improvement Program

HIGHWAY IMPROVEMENTS

The Highway Improvements Program uses federal funding with some state funds.

1. Bridge (IMPR-BRIDGE)

An annual investment of approximately \$17 million funds replacement or structural rehabilitation of State Highway System bridges identified by ITD to be structurally deficient or weight, height or width restricted.

2. System Planning (IMPR-SYSTEM PLANNING)

This program funds corridor studies, highway development planning, long-range transportation plans, transportation systems analysis, etc. Planning results in the improvement of the overall transportation system for Idaho users.

3. Rest Area (IMPR-REST AREA)

The Rest Area Program is intended for the scheduled rehabilitation and reconstruction of existing rest areas and construction of new rest areas. The Idaho Transportation Board has targeted an annual investment of \$10 million. It is the State's goal to increase the number of State Highway System rest areas from 29 to 39.

4. Safety (IMPR-SAFETY)

The safety program uses various federal funding sources to invest in safety initiatives. The FY 2006 – 2010 STIP includes Safe Routes to School; sign upgrades; durable pavement markings; rumble strips; Intelligent Transportation Systems (ITS); Road Weather Information Systems; Work Zone and Behavioral Safety; shoulder widening; high-accident location mitigation; crash event countermeasures; safety corridor enhancements; intersection improvements; guardrail blunt-end upgrades; and many other miscellaneous safety improvements.

Two other safety programs using Surface Transportation Program (STP) federal-aid funds invest in rail-grade crossing improvements (IMPR-SAFETY RAIL) and highway intersection and guardrail improvements (IMPR-SAFETY HAZ ELIM). Additionally there is a small state-funded rail-crossing improvement program (IMPR-SAFETY RAIL ST).

5. Transportation Enhancement (IMPR-ENHANCEMENT)

The Transportation Enhancement Program is a statewide competitive program that invests approximately \$5.5 million in designated federal funds for eligible activities under Idaho's three primary categories of (1) bicycle and pedestrian, (2) historic, and (3) scenic and environmental. Enhancement projects must be related to the surface transportation system.

6. CMAQ (IMPR-CMAQ)

The Idaho Transportation Department's Congestion Mitigation and Air Quality Improvement Program (CMAQ) is a statewide competitive program that invests between \$2-4 million annually in federal funds to implement cost-effective activities, plans, and projects that are mutually beneficial to transportation and air quality.



7. Restoration & Expansion (IMPR- RESTORE & EXPAND)

The restoration and expansion program funds are used for activities that reconstruct the useful life of the roadway and when needed, provide expansion of transportation facilities to better serve our customers.

8. Connecting Idaho – Federal (IMPR- CONNECT FED)

Projects shown in this program are restoration or expansion projects located along the Connecting Idaho corridors that are funded with federal-aid funds.

9. Connecting Idaho – GARVEE (IMPR-GARVEE)

GARVEE is the acronym for Grant Anticipation Revenue Vehicle. GARVEE bonds were federally authorized under the National Highway Designation Act of 1995 as a mechanism for allowing state and local agencies to accelerate the funding of transportation projects. The agencies use their future federal highway funds to repay the principal, interest and other costs associated with the issuance of the bond.

During its 2005 Legislative session, the Idaho Legislature approved legislation making it possible to use GARVEE bonding as an alternative method of funding transportation projects. The program adopted by the Idaho Legislature allows the Idaho Transportation Board to bond for projects within 13 specific corridors. GARVEE projects are shown in a separate section of the FY 2006—2010 STIP.

10. Highway Contingency (IMPR-HWY CONTINGENCY)

Projects in the contingency program do not have identified construction funding. Contingency projects are the designated projects that will be constructed if funding becomes available due to unanticipated federal-aid, delayed projects, or reduced Connecting Idaho debt service due to interrupted GARVEE bonding plans.

11. Demonstration (ISTEA) or High Priority (TEA-21 or SAFETEA-LU)

U.S. Congress designated improvement projects under the noted highway act. These funds can not be used for any other purpose without congressional action.

LOCAL PROGRAMS

Under the Local Programs category are federal-funding resources that can be used by local agencies to improve and preserve federal functionally classified local roadways and bridges. Funding is also available to replace or rehabilitate bridges at least 20-feet long that are located off the federal functionally classified system. To help administer these funds, ITD has created unique partnerships with metropolitan planning organizations (MPOs) and the Local Highway Technical Assistance Council (LHTAC) representing local agencies.

1. Local Urban (LOCAL-URBAN)

Local urban funds are for projects in urban areas with populations between 5,000 and up to 200,000. They are primarily used for reconstruction or rehabilitation of roadways functionally classified with FHWA as urban collectors or higher.



FY 2006 -2010
Statewide Transportation Improvement Program

2. Local Rural (LOCAL-RURAL)

Local rural funds are for projects in rural areas with populations under 5,000. They are primarily used for reconstruction or rehabilitation of roadways functionally classified with FHWA as rural collectors or above.

3. Transportation Management Area (LOCAL-TMA)

Transportation Management Area funds are for state and local projects in urban areas of 200,000 or greater population. They are primarily used for reconstruction or rehabilitation of roadways functionally classified with FHWA as urban collectors or higher.

4. Bridge Local On and Off System (LOCAL-BRIDGE) & (LOCAL-BRIDGE OFF-SYS)

Local and Off-System funds are for the replacement or rehabilitation of bridges at least 20-feet long and have a qualifying "sufficiency rating," generally 50 or lower. The Idaho Transportation Board makes 35% of the federal-aid Bridge funds available for use on non-State Highway System bridges.

FINANCIAL PLANNING AND FISCAL CONSTRAINT

Idaho's STIP incorporates and mirrors the Metropolitan Planning Organization (MPO) Transportation Improvement Programs (TIPs). By federal law and guidance fiscal constraint is required. Basically, fiscal constraint means that the STIP will only be programmed with projects to the level for which we could reasonably assume there is funding. Fiscal constraint also has the somewhat broader implication that our funding will be budgeted to not only improve the transportation system, but also to maintain and operate that system. Although this is a federal requirement, it is also an Idaho Transportation Board and state mandate. Fiscal constraint must be more than just a balanced budget of revenues and expenditures. Financial planning is crucial as ITD must always estimate our anticipated revenues.

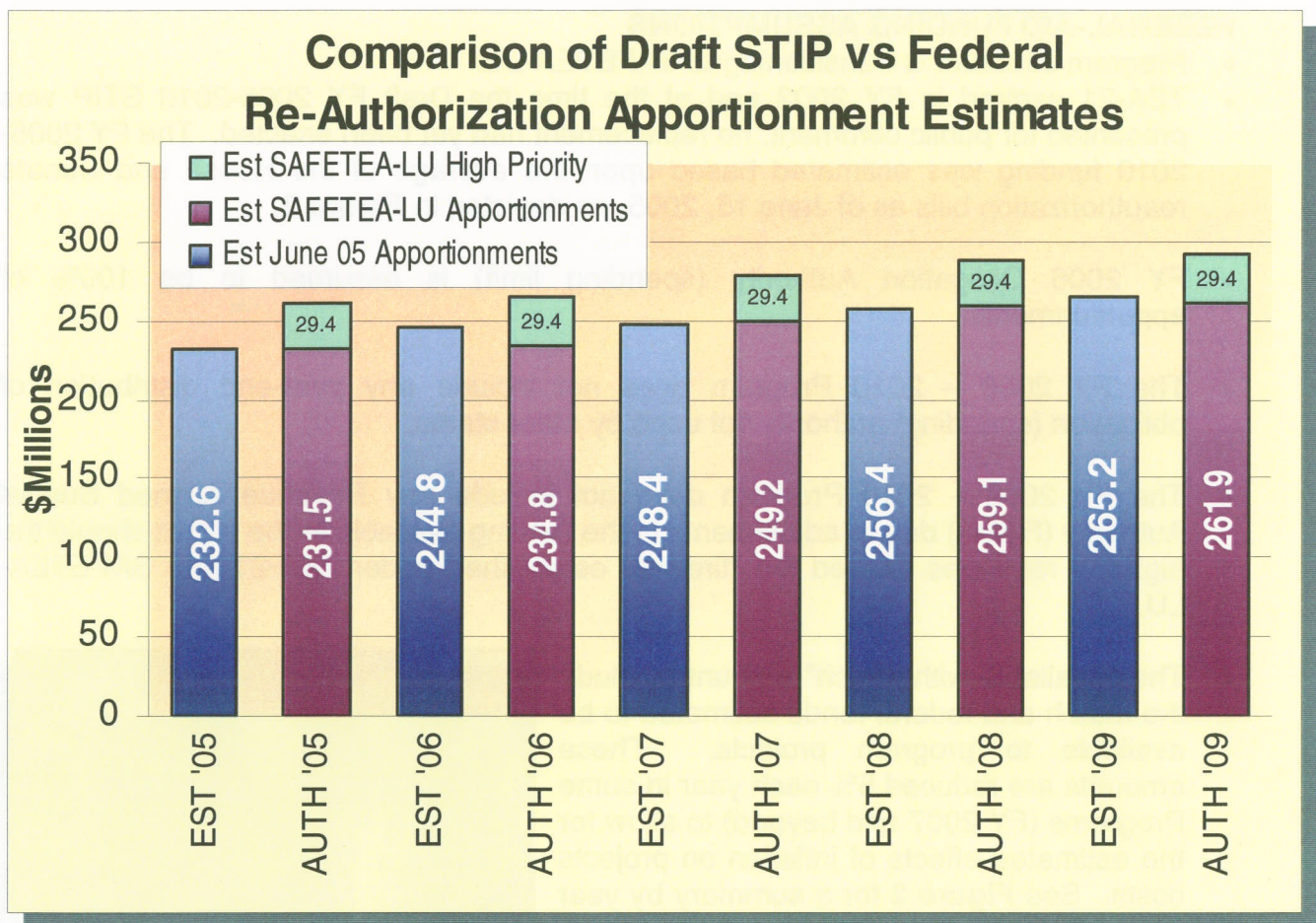
At the federal level, a multi-year highway act provides a relatively stable basis for estimating federal-aid funds. On August 10, 2005, President Bush signed into law the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU). SAFETEA-LU will guide federal spending from FY 2005-2009. Prior to its passage, Idaho operated under the rules and regulations as well as annual uncertainty of federal funding assumptions because the Transportation Efficiency Act of the 21st Century (TEA-21), the prior highway act, had expired in FY 2003. With guaranteed funding through FY 2009 for highways, public transportation and highway safety totaling \$286.4 billion, SAFETEA-LU represents the largest surface transportation investment in our nation's history. As part of SAFETEA-LU, Idaho received High Priority congressionally designated funding on 14 projects totaling \$147 million.

Many of the federal programs in TEA-21 and SAFETEA-LU are the same, but there are enough changes that ITD and Idaho's MPOs will be transitioning to its new requirements and programs over the next several years. Since it was signed into law very late in our FY 2006 – 2010 development cycle, there was little opportunity to reflect all of the changes that have occurred. The STIP went to the Idaho Transportation Board for final approval one short month after SAFETEA-LU was passed. **Figure 2**, as shown on the next page, illustrates a graph of



the estimate of funding (blue bar) used to develop this STIP and the actual apportionments (pink/green bars) under SAFETEA-LU. For the most part, our estimates were accurate and this STIP remains fiscally constrained.

Figure 2



State funding must also be estimated every year. ITD's Budget Policy Section estimates revenues into the State's Highway Distribution Account based on past performance and future economic and use factors.

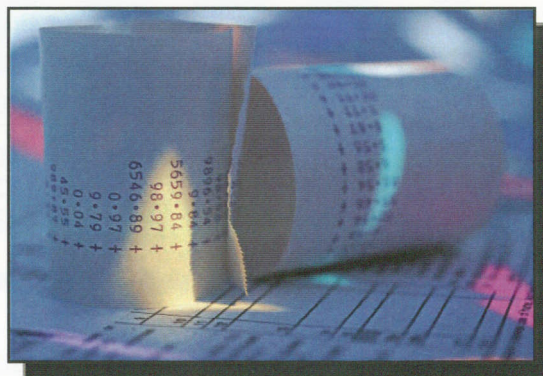
Idaho's STIP is a five-year construction program. This means we are always estimating future year revenue. Anticipating revenue too conservatively has as many drawbacks as anticipating too high. Highway projects can not be developed at a moments notice. If there are too few projects being developed ITD could run the risk of not having projects ready to use the available funding.

Following are the assumptions used to develop the transportation funding levels.

HIGHWAY FUNDING ASSUMPTIONS

1. FEDERAL-AID FUNDING ASSUMPTIONS

- Program structure is transitioning to SAFETEA-LU.
- TEA-21 expired in FY 2003 and at the time the Draft FY 2006-2010 STIP was presented for public comment, no replacement had yet been enacted. The FY 2006-2010 funding was estimated based upon the average of the House and Senate reauthorization bills as of June 15, 2005, as depicted in **Figure 2**.
- FY 2006 Obligation Authority (spending limit) is assumed to be 100% of apportionments.
- The FY 2006 – 2010 Program does not include any year-end distribution of obligation (spending) authority not used by other states.
- The FY 2006 – 2010 Program does not include any Revenue Aligned Budget Authority (RABA) due to adjustments in the funding available to the states should the highway revenues exceed the “firewall” established under TEA-21 and SAFETEA-LU.
- The “Available with Match” amounts include the match and federal funds estimated to be available to program projects. These amounts are reduced 5% each year in some Programs (FY 2007 and beyond) to allow for the estimated effects of inflation on projects costs. See **Figure 3** for a summary by year of the *Estimated Available vs. Programmed Projects* amounts.



2. STATE FUNDING ASSUMPTIONS

- Approximately \$34 million is estimated to be available in FY 2006, thereafter approximately \$17 million is available each year through FY 2010 for the Highway Development projects. The drop in available funding was done to insure adequate personnel, maintenance, and operation funding. As with federal-aid funding, state funding projections are reduced 5% each year to allow for the estimated effects of inflation on project costs. These estimates take into account projected revenue, the reservation of funds for state match of federal-aid, and other ITD operational needs not shown in the STIP.
- It is anticipated that approximately \$20 million of federal indirect cost recovery (FICR) funds will also be made available annually.

FY 2006 – 2010
Statewide Transportation Improvement Program

FIGURE 3

ESTIMATED AVAILABLE FUNDING¹ WITH MATCH vs. PROGRAMMED PROJECTS (September 7, 2005)
RECOMMENDED FY 2006 - 2010 CAPITAL INVESTMENT PROGRAM
Dollars in \$000s with Match

Program Name	Statewide Transportation Improvement Program (STIP)						Future			
	FY 2006		FY 2007		FY 2008		FY 2009		FY 2010	
	Available	Program	Available	Program	Available	Program	Available	Program	Available	Program
Pavement Preservation	57,324	57,324	57,324	57,324	57,324	57,324	57,324	57,324	57,324	57,324
Bridge Preservation	4,611	6,028	4,391	4,135	4,182	4,343	3,983	3,935	3,793	3,793
System Support	1,500	1,607	1,500	1,492	1,500	1,483	1,500	1,248	1,500	1,500
Hwy Preservation Programs	63,435	64,959	63,215	63,267	63,006	63,150	62,807	62,507	62,617	62,617
Bridge	18,046	12,089	17,255	16,867	16,867	13,783	16,472	14,656	16,014	16,014
Systems Planning	2,000	2,186	1,905	1,800	1,814	1,945	1,728	1,025	1,645	1,645
Rest Area	10,000	7,618	9,524	6,611	9,070	8,933	8,638	8,295	8,227	8,227
Safety ³	24,043	33,229	7,509	14,069	23,474	26,818	21,406	30,737	12,571	39,077
STP - Enhancement	7,327	7,115	7,437	7,164	7,680	7,732	-	-	-	750
CMAQ	4,444	4,961	4,444	4,367	4,444	4,431	-	-	-	-
Debt Service - GARVEE	-	-	-	8,685	25,865	25,865	42,143	42,143	60,598	84,020
Restoration & Expansion	-	85,068	-	72,963	-	64,296	-	49,820	-	45,097
Connecting Idaho - Federal	-	64,050	-	53,507	-	29,590	-	30,680	-	22,194
Hwy Non-GARVEE Subtotal	284,563	281,275	252,882	258,858	246,871	246,543	225,375	239,863	218,586	218,586
Connecting Idaho - GARVEE ^{4,6}	-	18,016	205,523	187,507	201,020	201,020	184,180	184,180	252,543	301,704
Hwy Improvement Programs^{1,2}	221,228	234,332	395,190	383,098	384,885	384,413	346,748	361,536	408,512	457,673
Hwy Performance Programs^{1,2}	284,563	299,291	458,405	446,365	447,891	447,563	409,555	424,043	471,129	520,290
Hwy Contingency (unfunded)^{1,2,5}	-	23,159	-	34,685	-	52,157	-	28,205	-	74,983
STP - Local Urban	10,905	11,422	10,491	10,857	10,216	10,629	9,936	8,698	9,622	5,481
STP - Transportation Mgt Area	6,910	6,910	7,047	7,091	7,337	7,337	8,130	8,231	8,130	13,171
STP-Rural	10,897	11,805	10,577	6,080	10,494	9,421	10,402	6,229	10,253	3,232
Bridge, Local	5,507	3,321	5,309	1,583	5,194	3,777	5,076	412	4,938	2,888
Bridge, Off System	38,349	4,998	3,982	4,130	3,896	3,789	3,807	630	3,704	655
Hwy Local Programs¹	38,349	38,456	37,406	28,161	37,137	34,953	37,351	24,200	36,647	17,529
Metro Planning	1,355	1,355	1,375	1,375	1,419	1,419	-	-	-	-
State Planning and Research	6,062	6,062	6,151	6,151	6,349	6,349	-	-	-	-
Recreational Trails	1,085	1,085	1,102	1,102	1,138	1,138	-	-	-	-
Hwy Full Use and Recreation	8,502	8,502	8,628	8,628	8,906	8,906	-	-	-	-
High Priority (TEA-21 1998)	13,521	13,521	6,578	6,578	1,908	1,908	18,633	18,633	-	-
Forest Highways	13,278	11,850	13,278	14,150	13,278	13,150	13,278	13,220	13,278	14,580
LTAP - T ²	280	280	200	280	200	280	-	-	-	-
Other Federal Non-Formula	1,995	1,995	945	945	890	890	-	-	-	-
Hwy Other Federal Programs	29,074	27,646	21,001	21,953	16,276	16,228	31,911	31,853	13,278	14,580
Local Partnerships	397	397	-	-	-	-	-	-	-	-
State Board Unallocated	2,000	650	2,000	-	2,000	-	2,000	-	-	-
Hwy Other State Programs	2,397	1,047	2,000	-	2,000	-	2,000	-	-	-
Highways Total	362,985	374,942	527,440	505,107	512,210	507,650	480,817	480,096	521,054	574,277
Vehicles	7,449	7,449	534	534	439	439	-	-	-	-
Mobility Services	7,550	7,550	7,883	7,883	7,291	7,291	-	-	-	-
Multi-Modal Planning	812	812	872	872	932	932	-	-	-	-
Transit Total	15,811	15,811	9,289	9,289	8,662	8,662	-	-	-	-
General Aviation	22,101	22,101	28,364	28,364	986	986	-	-	-	-
Major Airports	-	-	-	-	-	-	-	-	-	-
State Aeronautics	-	-	-	-	-	-	-	-	-	-
Aeronautics Total	22,101	22,101	28,364	28,364	986	986	-	-	-	-
Grand Total	400,897	412,854	565,093	542,760	521,858	517,298	480,817	480,096	521,054	574,277

Available estimates are to be used for planning purposes only. They will change upon reauthorization and actual federal apportionment of funds.

¹ Funds are in FY06 dollars at 5% annual inflation (except Pavement Preservation Program and Systems Support which are not discounted).

² Fund sources include IM, NHTS, STP-State, Bridge-State, STP-Enhancement, CMAQ, State, and State Forces.

³ Also includes STP-Rail, STP-Hazard Elimination, and State Rail fund sources.

⁴ FY06 GARVEE utilizes state cash balance that is paid back with bonds in FY07

⁵ Construction is not funded; contingency will only be funded upon non-delivery of planned projects

⁶ The last column labeled "Preliminary Development" is actually the funded FY11 GARVEE Program



3. GARVEE BONDING ASSUMPTIONS

A GARVEE, or Grant Anticipation Revenue Vehicle, bond is a transportation financing instrument approved for use in Idaho by the 2005 Legislature. The GARVEE Program assumes the following:

- The program adopted by the Idaho Legislature allows the Idaho Transportation Board to bond for projects within 13 specific corridors using up to 20% of its federal apportionments for debt service annually through FY2010, rising to 30% in FY2011.
- Under this program, federal highway revenue is pledged for repayment of the bonds, and as such, GARVEE bonds are revenue bonds and do not pledge the full faith and credit of the state of Idaho.
- As required by the legislation authorizing use of GARVEE, a request for bonding authority must be included as a separate item in ITD's annual budget requests and are subject to legislative approval. The requests for bonding authority shall include a list of planned transportation projects to be financed with such bond financing during the next succeeding fiscal year.

AERONAUTICS FUNDING ASSUMPTIONS

The Federal Aviation Administration's Airport Improvement Program (AIP) and state of Idaho Airport Aid Program (IAAP) are both grant programs funded by user taxes. Federal funding comes through VISION 100, the Aviation Act for FY 2003 – 2006. The Aeronautics Program assumes the following:

- The approval or disapproval of each grant application determines annual funding, while estimated apportionment and authorization levels determine available amounts.
- Federal-aid airport grants are from the Federal Aviation Administration and generally go directly to the airport owner (city, county, or state) and do not pass through the Idaho Transportation Department.
- A limited amount of AIP funds are available to the state for either small maintenance or planning projects to a group of airports annually.
- State funds (IAAP) provide grants for improvements not eligible for federal assistance in addition to assisting with the matching funds for federal-aid grants.



PUBLIC TRANSPORTATION FUNDING ASSUMPTIONS

On August 10, 2005, President Bush signed SAFETEA-LU. This highway act provides guaranteed funding for federal surface transportation programs over several years through FY 2009, including \$52.6 billion for federal transit programs—a 46% increase over transit funding guaranteed in TEA-21. The Public Transportation Program assumes the following:

- SAFETEA-LU is the basic law under which all federal transportation programs are funded. The programs are administered by the Federal Transit Administration (FTA) through the Idaho Transportation Department's Division of Public Transportation.
- The Public Transportation Program is a grant program. Historical funding trends are used to estimate the funds available through FY 2008. Discretionary funding is available for the actual request submitted to Congress for the current year.

